

DIRECT TESTIMONY
OF
STEVEN A.J. CIANFARINI
ENGINEERING DEPARTMENT
ENERGY DIVISION
ILLINOIS COMMERCE COMMISSION

UNITED CITIES GAS COMPANY

DOCKET NO. 01-0710

JULY 25, 2002

1 Q. Please state your name and business address.

2 A. My name is Steven A.J. Cianfarini and my business address is Illinois
3 Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois
4 62701.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by the Illinois Commerce Commission ("Commission") as a
7 Senior Energy Engineer in the Engineering Department of the Energy
8 Division.

9 Q. Please state your educational background.

10 A. I earned a Bachelor of Science degree in Mechanical Engineering from
11 Drexel University, Philadelphia, Pennsylvania. Also, I have completed
12 approximately half the course work towards an M.S. in Engineering
13 Management at Drexel University. Furthermore, I hold the Pennsylvania
14 equivalent of the Illinois Professional Engineer Intern Certification.

15 Q. Please state your professional work experience.

16 A. I was employed by the Philadelphia Gas Works ("PGW") for over 12 years
17 in the Distribution Department. I worked as a Natural Gas Operations
18 Supervisor for over 6 years and as a Staff Engineer in the Planning
19 Section of the Distribution Department for an additional 6 years. I have
20 designed and supervised the installations of many major natural gas
21 facilities for PGW.

22 Q. What are your duties and responsibilities as a Senior Energy Engineer in
23 the Engineering Department?

24 A. My primary responsibilities and duties are in the performance of studies
25 and analyses dealing with the day-to-day, and long-term, operations and
26 planning of the gas utilities serving Illinois. For example, I review
27 purchased gas adjustment clause reconciliations, rate base additions,
28 levels of natural gas used for working capital, and review utilities'
29 applications for Certificates of Public Convenience and Necessity. I also
30 perform utility gas meter test shop audits.

31 Q. What is the purpose of this proceeding?

32 A. On November 7, 2001, the Commission initiated its annual reconciliation
33 of the Purchased Gas Adjustment ("PGA") for calendar year 2001, as filed
34 by United Cities Gas Company ("United Cities" or "Company"), pursuant to

35 Section 9-220 of the Illinois Public Utilities Act ("Act"). This investigation
36 was initiated to determine whether United Cities' PGA clause reflects
37 actual costs of gas and gas transportation for calendar year 2001 and
38 whether those purchases were prudent.

39 Q. What is your assignment within this proceeding?

40 A. My assignment is to determine if United Cities' natural gas purchasing
41 decisions made during the reconciliation period were prudent.

42 Q. Have you made a determination if United Cities' natural gas purchasing
43 decisions made during the reconciliation period were prudent?

44 A. Yes. Using the Commission's criteria for prudence, I have determined
45 United Cities' natural gas purchasing decisions were prudent.

46 Q. What criteria does the Commission use to determine prudence?

47 A. The Commission has defined prudence as:

48 **[...] that standard of care which a reasonable person**
49 **would be expected to exercise under the circumstances**
50 **encountered by utility management at the time decisions**
51 **had to be made. In determining whether or not a**
52 **judgment was prudently made, only those facts**
53 **available at the time the judgment was exercised can be**
54 **considered. Hindsight review is impermissible.**

Imprudence cannot be sustained by substituting one's judgment for that of another. The prudence standard recognizes that reasonable persons can have honest differences of opinion without one or the other necessarily being 'imprudent'. (Docket No. 84-0395, p.17).

Q. What material did you review to determine the prudence of United Cities' natural gas purchasing decisions during the reconciliation period?

A. I reviewed the direct testimony of United Cities witness Bobby J. Cline. I also reviewed Company responses to numerous Staff data requests that directly addressed issues related to the prudence of United Cities' natural gas purchasing.

Q. Does this conclude your direct testimony?

A. Yes, it does.

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

| | | |
|--|---|----------------|
| ILLINOIS COMMERCE COMMISSION | : | |
| On Its Own Motion | : | |
| -vs- | : | |
| UNITED CITIES GAS COMPANY | : | |
| | : | 01-0710 |
| Reconciliation of revenues collected under gas | : | |
| adjustment charges with actual costs prudently | : | |
| incurred. | : | |

NOTICE OF FILING

TO ATTACHED SERVICE LIST:

YOU ARE HEREBY NOTIFIED that we have, on this 25th day of July 2002, forwarded to the Chief Clerk of the Illinois Commerce Commission, for filing in the above-captioned docket, the Direct Testimony of the Illinois Commerce Commission Staff Witness Steven A.J. Cianfarini of the Energy Division, Engineering Department, a copy of which is hereby served upon you.

Steven R. Knepler
Supervisor
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 25th day of July 2002.

Steven R. Knepler
Supervisor
Accounting Department

UNITED CITIES GAS COMPANY
Docket No. 01-0710
Service List

Judy Dunlap
Consumers Gas Company
5300 Maryland Way
Brentwood, TN 37027

Document Processor
United Cities Gas Company
CSC
700 South Second Street
Springfield, IL 62704

Mark G. Thessin
Vice President – Rates
United Cities Gas Company
810 Crescent Centre Dr., Suite 600
Franklin, TN 37067-6226

ILLINOIS COMMERCE COMMISSION

William J. Showtis, Administrative Law Judge
Mary Everson, Case Manager, Accounting Department
Donald McGuire, Accounting Department
Steven Cianfarini, Engineering Department